

PUBLIC DISCLOSURE

October 26, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pentucket Bank
Certificate Number: 90208

1 Merrimack Street
Haverhill, Massachusetts 01830

**Division of Banks
1000 Washington Street
Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118**

NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.
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TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	4
Description of Assessment Area	6
Conclusions on Performance Criteria	9
Discriminatory or Other Illegal Credit Practices Review	18
Appendix A: Division of Banks – Fair Lending Policies and Procedures.....	19
Appendix B: Glossary	21

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Pentucket Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and the Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small business and home mortgage loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrower reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test Rating.

The Community Development Test is rated Satisfactory by the FDIC.

The Community Development Test is rated High Satisfactory by the Division of Banks.

Note: The agencies agree on overall performance under the Community Development Test; however, Part 345 of FDIC Rules and Regulations does not include a "High Satisfactory" rating.

- The institution demonstrated good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 10, 2012, to the current evaluation dated October 26, 2015. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Pentucket Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered the institution's performance according to the following criteria.

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage lending contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the most recent calendar year. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

The evaluation considered all home mortgage loans reported on the bank's 2013, 2014, and the first two quarters of 2015 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2013, the bank reported 251 loans totaling \$48.7 million; for 2014, the bank reported 172 loans totaling \$32.3 million, and for the first two quarters of 2015, the bank reported 77 loans totaling \$13.6 million. The evaluation includes a comparison of the bank's

2013 home mortgage lending data against 2013 aggregate data, which is the most recent year for which aggregate data is available. The 2014 and 2015 information shows the bank's lending trends.

The bank is not a small business reporter, but has elected to collect small business loan information. Therefore, the entire universe of small business loans from 2013, 2014, and the first two quarters of 2015 was evaluated. The bank originated 69 small business loans totaling \$15.0 million in 2013; 55 small business loans totaling \$11 million in 2014; and, 50 small business loans totaling \$8.9 million in the first two quarters of 2015. Since the bank does not report small business loans, aggregate lending information was not used for comparison purposes; therefore, D&B data for 2013 and 2014 provided a standard of comparison for the bank's small business lending.

For the Lending Test, examiners reviewed the number and dollar of home mortgage and small business loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated September 10, 2012.

The bank's assessment area is defined within the Boston-Cambridge-Newton, MA-NH multi-state metropolitan statistical MSA; therefore, in accordance with regulatory requirements, ratings and conclusions on bank performance is presented for the multi-state MSA.

DESCRIPTION OF INSTITUTION

Background

Pentucket Bank is headquartered in Haverhill, Massachusetts, and operates in the northeastern part of Massachusetts in Essex County, and in the southern part of New Hampshire in Rockingham County. The institution received a Satisfactory rating at its previous CRA Performance Evaluation based on Interagency Small Institution Examination Procedures.

Operations

Pentucket Bank operates six full-service branches in its assessment area in the northeastern part of Massachusetts and the southern part of New Hampshire. Pentucket Bank offers loan products including home mortgage, commercial, agricultural, and consumer loans, primarily focusing on home mortgage and commercial lending. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. The bank also offers investment financial services. Alternative banking services include internet and mobile banking, electronic bill pay, and 12 stand-alone automated teller machines (ATMs). The bank opened one branch in North Andover, Massachusetts on November 12, 2014. No merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

Assets totaled approximately \$646 million as of June 30, 2015, and included total loans of \$457 million and securities totaling \$123 million. The loan portfolio is illustrated in the following table.

Table 1 – Loan Portfolio Distribution as of June 30, 2015		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	8,594	1.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	246,626	53.9
Secured by Multi-family (5 or more) Residential Properties	14,320	3.1
Secured by Non-farm Non-Residential Properties	123,336	27.0
Total Real Estate Loans	392,876	85.9
Commercial and Industrial Loans	63,138	13.8
Agricultural Production and Other Loans to	1,085	0.2
Consumer	211	0.0
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	117	0.0
Lease Financing Receivables (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	457,427	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Pentucket Bank designated a single assessment area in the Boston-Cambridge-Newton, MA-NH multi-state MSA #14460. In 2013, the assessment area was composed of towns in the Peabody, MA Metropolitan Division (MD) #37764 and the Rockingham County Strafford County, NH MD #40484. In 2014, the Office of Management and Budget (OMB) revised MSA delineations, which included merging the Peabody, MA MD with the Cambridge-Newton-Framingham, MA MD #15764. With the 2014 OMB changes, the bank's assessment area is now composed of census tracts in the Cambridge-Newton-Framingham, MA MD and the Rockingham County Strafford County, NH MD. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes 50 census tracts in Essex County, Massachusetts and Rockingham County, New Hampshire. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 2 low-income tracts,
- 4 moderate-income tracts,
- 30 middle-income tracts, and
- 14 upper-income tracts

The 2014 OMB affected the income designation of census tracts within the assessment area. According to the 2014 changes, the tracts reflect the following income designations:

- 2 low-income tracts,
- 7 moderate-income tracts,
- 29 middle-income tracts, and
- 12 upper-income tracts

The following table illustrates select demographics of the assessment area based on 2010 U.S. Census Data and 2014 OMB MSA revisions.

Table 2 – Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	50	4.0	14.0	58.0	24.0	0.0
Population by Geography	250,090	3.7	12.2	59.8	24.3	0.0
Housing Units by Geography	99,503	4.3	13.5	60.6	21.6	0.0
Owner-Occupied Units by Geography	71,074	1.4	9.2	63.6	25.8	0.0
Businesses by Geography	22,156	4.3	7.9	62.2	25.6	0.0
Family Distribution by Income Level	65,599	18.0	17.5	23.4	41.1	0.0
Median Family Income		\$93,635	Median Housing Value Median Gross Rent Families Below Poverty Level			\$336,477
FFIEC-Estimated Median Family Income for 2013 (Peabody, MA MD)		\$83,500				\$ 1,018
FFIEC-Estimated Median Family Income for 2013 (Rockingham County Strafford County, NH MD)		\$87,000				4.0%
FFIEC-Estimated Median Family Income for 2014 (Cambridge- Newton- Framingham, MA MD)		\$93,300				
FFIEC-Estimated Median Family Income for 2014 (Rockingham County Strafford County, NH MD)		\$86,600				

Source: 2010 U.S. Census, 2013 D&B Data, and FFIEC-Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

According to 2013 D&B data, there were 22,156 businesses. Gross annual revenues (GARs) for these businesses are below:

- 75.2 percent have \$1 million or less
- 4.7 percent have more than \$1 million
- 20.1 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represented the largest portion of businesses at 45.0 percent; followed by non-classifiable establishments (11.8 percent); retail trade (11.7 percent); construction (10.4 percent); and finance, insurance, and real estate (7.0 percent). In addition, 68.5 percent of area businesses have four or fewer employees, and 93.4 percent operate from a single location. D&B data for 2014 showed similar distribution of businesses by GAR level when compared to 2013.

There are 99,503 housing units. Of these, 71.5 percent are owner-occupied, 22.7 percent are occupied rental units, and 5.8 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the unemployment rate was 4.6 percent as of September 2015 in Massachusetts. Essex County's unemployment rate was 4.7 percent as of August 2015. The New Hampshire unemployment was 3.4 percent as of September 2014. Rockingham County's unemployment rate was 3.6 percent as of September 2014. The unemployment rates in both states have been steadily declining throughout the evaluation period. The unemployment rate in Massachusetts was 6.7 percent and 5.6 in New Hampshire in September 2012.

Competition

The assessment area is competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 2015, there were 139 financial institutions that operated 1,516 full-service branches within the Boston-Newton-Cambridge, MA-NH MSA. Of these institutions, Pentucket Bank ranked 40th with a 0.16 percent deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2013, 410 lenders reported a total of 18,468 residential mortgage loans originated or purchased. Pentucket Bank ranked 14th out of this group of lenders, with a market share of 1.5 percent.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included. The aggregate data for 2013 shows that 95 institutions reported 18,460 in the small business loans in Essex County, Massachusetts, and Rockingham County, New Hampshire, indicating a high degree of competition for this product.

Community Contact and Community Needs

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

The third party contacted provides employment support, independent living skill development, and affordable housing to disabled individuals located throughout the Merrimack Valley and greater Haverhill area. The contact indicated there is a continued need for affordable housing in Haverhill. This individual also noted there are many vacant lots located across the city and multiple buildings in the downtown area of Haverhill that are in need of revitalization. The contact stated that local area institutions have assisted in smaller renovation projects and that the area's Community Development Corporations (CDCs) need referral resources to help navigate the complex loan products for affordable housing not routinely offered by local financial institutions. The contact feels this would help more projects get financing and attract potential project applicants to approach local lenders for financing. Further, the contact mentioned that Pentucket Bank is actively involved in the community, both financially and in terms of providing community development services.

An additional community contact was conducted in New Hampshire to assess the needs of the community surrounding the bank's New Hampshire branches. A local government official was contacted to discuss the needs of the community. The contact indicated that affordable housing and business lending opportunities were somewhat limited in the area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Pentucket Bank demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 84.3 percent over the past 12 quarters from September 30, 2012, through June 30, 2015. The ratio ranged from a low of 80.7 percent as of September 30, 2012, to a high of 88.1 percent as of March 31, 2014. The following table shows the bank's LTD ratio compared to comparable institutions. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Table 3 – Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of June 30, 2015 \$ (000s)	Average Net LTD Ratio (%)
Pentucket Bank	645,655	84.3
Optima Bank & Trust	343,398	88.5
North Shore Bank, a Co-op	675,647	96.8
The Provident Bank	706,360	87.9
<i>Source: Reports of Income and Condition September 30, 2012 through June 30, 2015.</i>		

Assessment Area Concentration

The bank made a majority of small business and home mortgage loans, by number and dollar volume within its assessment area. See the following table.

Table 4 – Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home										
2013	188	74.9	63	25.1	251	32,999	67.8	15,687	32.2	48,686
2014	118	68.6	54	31.4	172	19,179	59.4	13,114	40.6	32,293
June 30, 2015	57	74.0	20	26.0	77	8,083	59.6	5,483	40.4	13,566
Subtotal	363	72.6	137	27.4	500	60,261	63.7	34,284	36.3	94,545
Small Business										
2013	69	76.7	21	23.3	90	15,022	75.8	4,797	24.2	19,819
2014	55	64.0	31	36.0	86	11,010	51.7	10,304	48.3	21,314
June 30, 2015	50	82.0	11	18.0	61	8,885	70.0	3,811	30.0	12,696
Subtotal	174	73.4	63	26.6	237	34,917	64.9	18,912	35.1	53,829
Total	537	72.9	200	27.1	737	95,178	64.1	53,196	35.9	148,374
Source: 2013, 2014, and 2 quarters of 2015 HMDA and CRA Reported Data										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance of home mortgage and small business lending support this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. The following table shows that the bank's performance in low-income census tracts is similar to aggregate, at 0.1 percentage points lower. This comparison reflects reasonable performance. In moderate-income tracts, the bank compares reasonably to aggregate, at 0.3 percentage points higher. This comparison reflects reasonable performance. Additionally, the percentage of lending in low- and moderate-income tracts shows an increasing trend, by number and dollar amount, during the review period.

Market share data further supported the bank's reasonable performance. In 2013, the bank ranked 23rd in lending in low-income census tracts, out of 73 lenders, with a 1.3 percent market share. The bank ranked 14th in lending in moderate-income census tracts, out of 134 lenders, with a 1.5 percent market share. These market rankings are relatively consistent with the bank's overall market rank of 17th in the assessment area in 2013.

Table 5 – Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	1.4	1.7	3	1.6	401	1.2
2014	1.4	--	2	1.7	342	1.8
2015	--	--	3	5.3	363	4.5
Moderate						
2013	5.3	4.5	9	4.8	1,357	4.1
2014	9.2	--	12	10.2	1,615	8.4
2015	--	--	9	15.8	1,261	15.6
Middle						
2013	63.8	60.0	123	65.4	21,050	63.8
2014	63.6	--	82	69.5	13,498	70.4
2015	--	--	36	63.2	4,172	51.6
Upper						
2013	29.5	33.7	53	28.2	10,191	30.9
2014	25.8	--	22	18.6	3,724	19.4
2015	--	--	9	15.8	2,287	28.3
Totals						
2013	100.0	100.0	188	100.0	32,999	100.0
2014	100.0	--	118	100.0	19,179	100.0
2015	--	--	57	100.0	8,083	100.0
Source: 2010 U.S. Census; 2013, 2014, and 2 quarters of 2015 HMDA Reported Data; 2013 HMDA Aggregate Data. "--" data not available.						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table shows that the bank's performance in low-income census tracts exceeds business demographics by 1.7 percentage points in 2013 and by 6.6 percentage points in 2014. Including 2015 loan data, the bank shows an increasing trend for lending to businesses in low-income census tracts. The bank's level of lending in moderate-income areas is slightly below business demographics in 2013, falling 3.2 percentage points lower. However, the bank's lending in moderate-income tracts was similar to business demographics in 2014, at 1.2 percent higher. Lending in moderate-income census tracts further increased in 2015.

Table 6 – Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$	%
Low					
2013	4.1	4	5.8	895	6.0
2014	4.3	6	10.9	517	4.7
2015	--	6	12.0	773	8.7
Moderate					
2013	5.1	2	2.9	272	1.8
2014	7.9	5	9.1	1,502	13.6
2015	--	6	12.0	1,051	11.8
Middle					
2013	61.5	50	72.5	10,774	71.7
2014	62.2	30	54.5	5,641	49.6
2015	--	32	64.0	6,751	76.0
Upper					
2013	29.3	13	18.8	3,081	20.5
2014	25.6	14	25.5	3,530	32.1
2015	--	6	12.0	310	3.5
Total					
2013	100.0	69	100.0	15,022	100.0
2014	100.0	55	100.0	11,010	100.0
2015	--	50	100.0	8,885	100.0
<i>Source: 2010 U.S. Census; 2013, 2014, and 2 quarters of 2015 Bank Small Business Data.</i>					

Borrower Profile

The overall distribution of borrowers reflects reasonable penetration among individuals of different income levels in the assessment area and among businesses of different sizes.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data.

Home mortgage lending to low-income borrowers, at 5.9 percent, is similar to the aggregate data at 6.3 percent. According to 2010 U.S. Census data, 4.0 percent of assessment area families have incomes below the poverty level, and would not likely qualify for a mortgage under conventional underwriting standards. This decreases the demand and opportunity for lending to low-income families, and helps explain the difference between bank performance and demographics. The bank's performance of lending to moderate-income borrowers, at 18.1 percent, is also reasonable compared to aggregate data at 16.4 percent. The percentage of lending to low-income borrowers shows a positive trend over the period analyzed, which supports the reasonable performance.

Market share data further supported the bank’s reasonable performance under this criterion. In 2013, the bank ranked 17th in lending to low-income borrowers with a 1.4 percent market share. Additionally, the bank ranked 16th in lending to moderate-income borrowers with a 1.4 percent market share. These market rankings are consistent with the bank’s overall market rank of 17th in the assessment area in 2013.

Table 7 – Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	16.6	6.3	11	5.9	1,177	3.6
2014	18.0	--	12	10.2	1,229	6.4
2015	--	--	8	14.0	686	8.5
Moderate						
2013	16.4	17.7	34	18.1	5,063	15.3
2014	17.5	--	28	23.7	3,832	20.0
2015	--	--	12	21.1	1,441	17.8
Middle						
2013	22.5	24.5	63	33.5	10,145	30.7
2014	23.4	--	32	27.1	4,960	25.9
2015	--	--	11	19.3	1,520	18.8
Upper						
2013	44.4	39.6	74	39.4	15,405	46.7
2014	41.1	--	41	34.7	8,168	42.6
2015	--	--	21	36.8	3,417	42.3
Income Not Available						
2013	0.0	12.0	6	3.2	1,209	3.7
2014	0.0	--	5	4.2	990	5.2
2015	--	--	5	8.8	1,019	12.6
Total						
2013	100.0	100.0	188	100.0	32,999	100.0
2014	100.0	--	118	100.0	19,179	100.0
2015	--	--	57	100.0	8,083	100.0
<i>Source: 2010 U.S. Census; 2013, 2014, and 2 quarters of 2015 HMDA Reported Data; 2013 HMDA Aggregate Data; “--” data not available.</i>						

Small Business Loans

The distribution of small business loans reflects, given the demographics of the assessment area, poor penetration among businesses of different sizes. In 2013, the bank’s performance of lending to businesses with GARs of \$1 million or less was far below demographics, at 27.4 percent lower. Lending to businesses with GARs of \$1 million or less decreased in 2014, and was 36.5 percentage points lower than the demographic comparison. This reflects poor penetration. Lending to businesses with GARs of \$1 million or less further decreased, by percentage, in the first two quarters of 2015.

Table 8 – Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2013	75.2	33	47.8	4,175	27.8
2014	74.7	21	38.2	3,069	27.9
2015	--	17	34.0	1,870	21.0
> \$1,000,000					
2013	4.7	33	47.8	10,712	71.3
2014	5.2	32	58.2	7,550	68.6
2015	--	23	46.0	5,862	66.0
Revenues Not Available					
2013	20.1	3	4.3	135	0.9
2014	20.1	2	3.6	391	3.6
2015	--	10	20.0	1,153	13.0
Total					
2013	100.0	69	100.0	15,022	100.0
2014	100.0	55	100.0	11,010	100.0
2015	--	50	100.0	8,885	100.0
<i>Source: 2010 U.S. Census; 2013, 2014, and 2 quarters of 2015 Bank Data</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Pentucket Bank demonstrated good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

Pentucket Bank originated seven community development loans totaling approximately \$6.9 million during the evaluation period. This is an increase from the last CRA evaluation where the bank made five community development loans totaling approximately \$5.9 million.

Of the seven community development loans, two totaling approximately \$2.8 million were used to revitalize or stabilize the assessment area. These loans demonstrate the bank's responsiveness to this community development need identified by a community contact.

The bank's community development lending includes two loans totaling approximately \$1.0 million to entities serving the City of Lawrence, which borders the bank's assessment area. As the bank has been responsive to the community development needs of its assessment area, examiners considered these two loans under the Community Development Test.

The following table illustrates the bank's community development lending activity by year and purpose.

Table 9 – Community Development Loans												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2012	0	0	0	0	0	0	0	0	0	0	0	0
2013	0	0	0	0	0	0	2	2,817	0	0	2	2,817
2014	4	2,726	1	1,308	0	0	0	0	0	0	5	4,034
YTD 2015	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	2,726	1	1,308	0	0	2	2,817	0	0	7	6,851
<i>Source: Bank Records</i>												

Below are notable examples of the bank's community development loans:

- In 2013, the bank made two loans totaling approximately \$2.8 million to a joint venture of two non-profit groups. The loans will be used to fund the acquisition and development of at least four properties on the waterfront in a low-income census tract in downtown Haverhill. The redevelopments will include affordable housing units as well as office and retail space to attract new businesses to an economically depressed area.
- In 2014, the bank made a \$1.4 million loan to a veteran's outreach association to fund the new construction of 27 rental units at three development sites in Haverhill. All 27 units are designated as affordable for low- and moderate-income veterans and their families. The units close to public transportation, various services in the area, and will allow the residents to engage with the organization's support services at an adjacent campus.

Qualified Investments

Pentucket Bank made 228 qualified investments totaling approximately \$2.2 million. This total includes the book value of three qualified equity investments totaling approximately \$1.8 million made during the previous evaluation, and qualified donations made during the current evaluation period totaling approximately \$471,000.

Of the total dollar amount, 67.8 percent benefited efforts to revitalize or stabilize low- or moderate-income geographies in the bank's assessment area. These investments demonstrate the bank's responsiveness to the revitalization or stabilization of certain geographies, which is an identified community development need.

In 2011, the bank established the Pentucket Bank Charitable Foundation. The bank has provided approximately \$201,335 in funding to its charitable foundation since 2013. The foundation made \$30,295 in CRA-qualified donations over the evaluation period. The following table illustrates the bank's community development investments by year and purpose.

Table 10 – Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	250	0	0	1	12	1	1,500	0	0	3	1,762
2012	3	5	7	18	1	10	1	5	0	0	12	38
2013	12	35	59	91	0	0	0	0	0	0	71	126
2014	15	50	67	89	3	47	0	0	0	0	85	186
YTD 2015	5	10	49	64	2	37	1	10	0	0	57	121
Totals	36	350	182	262	7	106	3	1,515	0	0	228	2,233
<i>Source: Bank Records</i>												

Below are notable examples of the bank's qualified investments:

Prior Period Investments

- The bank continues to contribute to the Pentucket Bank Loan Investment Fund (PBLIF). The PBLIF was established by the bank to assist small businesses participating in the Massachusetts Capital Access Program (MASSCAP). MASSCAP is administered by the Massachusetts Business Development Corporation, and assists banks in making loans to small business owners that may not have access to typical bank financing. There is a significant fee for enrolling in the program that the bank pays on the borrower's behalf. In 2007, the bank also began participating in the New Hampshire Business Finance Authority Capital Access Program, which is similar to MASSCAP. Since 2013, the PBLIF has contributed over \$37,000 to 33 small businesses in the area.

Donations

- **Lazarus House** – this organization offers emergency shelter, food assistance, job training, and health services to low- and moderate-income individuals in the Merrimack Valley.
- **Housing Action New Hampshire** – This organization advocates for public investments and policies that preserve and increase the supply of affordable housing to low-income individuals residing in New Hampshire.
- **New Hampshire Community Development Finance Authority (CDFA)** – The New Hampshire CDFA supports affordable housing and economic development projects benefitting low- and moderate-income individuals in the state. Pentucket Bank has made over \$90,000 in donations to the CDFA in the past three years, which has contributed to initiatives such as the construction of a Regional Economic Development Center.

- **Emmaus, Inc.** – A community-based non-profit organization, Emmaus solicits funds to purchase and development local buildings to be used for emergency shelters and affordable housing. Additionally, the organization runs a food bank and provides a litany of other services for underserved individuals and families.

Community Development Services

During the evaluation period, bank employees provided 55 instances of financial expertise or technical assistance to 20 different community development- related organizations in the assessment area. The following table illustrates the bank’s community development services by year and purpose.

Table 11 – Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2013	0	13	1	2	0	16
2014	1	16	2	2	0	21
YTD2015	1	15	1	1	0	18
Total	2	44	4	5	0	55
<i>Source: Bank Records</i>						

Below are notable examples of the bank’s community development services:

- **Merrimack Valley Small Business Center Microloan Fund** – This organization targets low and moderate-income clients who lack access to conventional credit but who have the capacity to achieve small business ownership. The fund will make loans to small businesses that meet the low- and moderate-income criteria. A commercial loan officer serves on this organization’s loan committee.
- **Greater Haverhill Foundation** – This group was founded by several local business leaders to attract new small businesses and assist existing small businesses wishing to expand their operations in the Haverhill area. The bank’s Chief Executive Officer and Vice President of Commercial Lending serve on the organization’s Board and are involved with the Audit and Loan Committees.
- **Bethany Community Services** – This organization provides housing and supportive services to low- and moderate-income seniors living in the Greater Haverhill area. The organization has three primary housing facilities with various rental options such as section 8 and other subsidies. A Senior Vice President of Commercial Lending is a Board member and sits on the Finance Committee.
- **Community Action, Inc. of Haverhill** – This organization is an anti-poverty agency that offers a broad range of social programs and services to assist low- and moderate-income families. The bank’s Compliance Officer serves on the organization’s Board.

- **Rebuilding Together** – This organization rehabilitates, repairs, and improves low-income housing in the Haverhill area. The organization specifically targets the homes that are occupied by older adults, veterans, disabled, or families with children. A financial reporting advisor serves as the organization’s treasurer.
- **Career Resources** – Based in Haverhill, this organization provides disabled individuals with affordable housing, development skills training, and job opportunities. All individuals served by this organization are low-income. The bank’s Executive Vice President of Lending serves on the Board.

Other Services

- **Interest on Lawyers Trust Accounts (IOLTA)** – Interest paid on these accounts is used to provide legal assistance to low- and moderate-income individuals. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients.
- **Saving Makes Sense** – Pentucket Bank continues to offer the “Savings Makes Sense” school savings program in Haverhill. The bank’s employees serve as teachers and presenters at the schools and also take the students on a tour of the bank’s main office.
- **Banzai Literacy Program** – In 2015, the Bank became a sponsor of the Banzai Literacy Program at Haverhill High School. The bank provides financial literacy materials to the high school free of charge, and bank employees serve as guest speakers and presenters. The bank has presented this program to two classes so far in 2015. A majority of students that attend the Haverhill school district qualify for free or reduced lunch.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of the discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s overall CRA rating.

APPENDIX A

Division of Banks – Fair Lending Policies and Procedures

Examiners reviewed the bank's fair lending performance to determine how it relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's HMDA LARs for 2013 and 2014 to determine if the application flow from different minority groups was reflective of the assessment area demographics.

The bank's residential lending in 2013 was compared to the 2013 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the institution received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as a comparison to aggregate lending data within the assessment area.

Minority Application Flow					
RACE	Bank 2013		2013 Aggregate Data	Bank 2014	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	1	0.6
Asian	1	0.4	1.8	1	0.6
Black/ African American	1	0.4	0.7	3	1.6
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	3	1.1	1.0	1	0.6
Total Minority	5	1.9	3.8	6	3.4
White	240	89.5	76.9	156	85.6
Race Not Available	23	8.6	19.3	20	11.0
Total	268	100.0	100.0	182	100.0
ETHNICITY					
Hispanic or Latino	2	0.8	1.8	2	1.1
Not Hispanic or Latino	241	89.9	77.7	158	86.8
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.9	2	1.1
Ethnicity Not Available	25	9.3	19.6	20	11.0
Total	268	100.0	100.0	182	100.0

Source: U.S. Census 2010, HMDA LAR Data 2013 and 2014, HMDA Aggregate Data 2013

According to the 2010 U.S. Census data, the bank's assessment area had a population of 250,090, of which 10.4 percent are minorities by race or ethnicity. The assessment area's minority and ethnic population consists of 0.1 percent American Indian, 2.0 percent Asian, 1.2 percent Black, 5.7 percent Hispanic, and 1.4 percent other.

In 2013, the bank received 268 HMDA reportable loan applications within its assessment area. Of these applications, five, or 1.9 percent, were received from racial minority applicants. This is below the aggregate level of 3.8 percent. In 2013, the bank received two applications representing 0.8 percent, from Hispanic or Latino applicants. This is below aggregate performance of 2.7 percent. In 2014, the bank increased its performance to both Hispanic applicants (2.2 percent) and to racial minorities (3.4 percent).

The bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate.

APPENDIX B

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.